Federal Ministry
for Economic Affairs
and Energy

STEP up! - German tendering scheme for electrical energy efficiency

Experiences, challenges and further development

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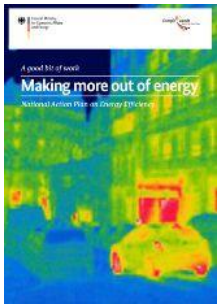
Background

- In December 2014 the German government adopted the **National Action Plan on Energy Efficiency (NAPE)** , which
  - describes a package of efficiency measures across sectors
  - aims for GHG reduction of approx. 25-30 million tonnes of CO_2-equivalent by 2020



- An important NAPE measure is **STEP up!:**
  - **a competitive tendering scheme for electrical energy efficiency**
  - developed based on Swiss ProKilowatt programme
  - started in June 2016; for the pilot phase (2016 – 2018) budget of 300 million Euro available
  - 2 tendering rounds per year: in spring and in autumn

STEP up!

STEP up! at a glance

Subject of funding and funding approach

- **Subject of funding** are investments in electrical efficiency measures by companies at their own or their clients' assets
- **Competitive funding approach**: Funding will be awarded to bids for measures with the most economic cost-benefit ratio (Euro funding per saved kWh).

Requirements for application

- **Eligible for funding** are all companies based in Germany
- **Compliance with tender criteria:**
  - Pay back period related to electricity costs > 3 y., with economic lifetime of technical investment of at least 10 years
  - Maximum admissible cost-benefit ratio
  - Max./min. limits for funding being applied for

„From application of power-saving components to systemic optimisation of processes "

- Subsidy for investment in measures improving electrical energy efficiency
- Funding according to GBER (EU): **up to 30%** of extra investment costs necessary to achieve higher level of energy efficiency

Type and Rate of funding

- Opportunity to let the market search for the most cost-efficient, feasible savings of electrical energy efficiency
- Until 2020 saving of up to **3 Mt CO_2-Equivalent**

Idea and target of STEP up!

Types of tenders and project categories

- **Options for projects: 2 types of tenders , 2 project categories**

Open tender

- Open to all types of technologies and sectors
- Individual as well as collection projects

Individual projects

- Implementation of efficiency measures within the company of the applicant

Closed tender

- Focused on specific sectors or technologies with known high potentials and constraints
- Eligibility for funding limited to those technologies or sectors

Collection projects

- The applicant coordinates the implementation of several similar efficiency measures at third parties

Experiences of the 1st tendering round

General observations

- Considerable interest of companies, sector associations and energy service providers on STEP up!
- However, given the novelty of the programme and the innovative funding approach certain concerns on applicants' side exist

Results of the first round

- Modest number of project applications /bids (19)
- Individual projects show broad range in terms of project size and branches covered
- Collection projects focused on consumer products (white goods) for private households

Main Challenges

- Funding rate is not sufficiently attractive for companies
  - In contrast to the Swiss ProKilowatt programme STEP up! falls under EU state aid regulation: eligible costs are max. 30% of the *extra* investment costs necessary to achieve the higher level of energy efficiency (art. 38 GBER)
  - Challenge to specify the amount of costs related to the achievement of the higher level of energy efficiency for complex efficiency projects
  - Receipt of potential funding might not outweigh costs and efforts for participating in tendering process and the duty to furnish proof of the (measured) electricity savings
- Given novelty and complexity of the tendering scheme significant need for communication measures and training potential applicants on STEP up!

Outlook

Timeline

- Currently 2nd round: 01.10.2016 – 31.01.2017
- For the rest of the pilot period (until end of 2018):
  - Two tendering rounds per year (spring and autumn)

Further development

- Exploring different options how to improve attractiveness of the tendering scheme (e.g. simpler application process, better support of potential bidders)
- Intensifying communication measures to increase degree of programme's awareness
- Broadening the scope: To date, limitation to electricity; prospectively, extension to heat